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SARA KYLE, COMMISSIONER
TN REGULATORY AUTHORITY



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City of Chattanooga

LEA DOCKET ROOM

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May 29, 2003

VIA FEDERAL EXPRESS

Ms. Sara Kyle, Chairman
Tennessee Regulatory Authority
460 James Robertson Parkway
Nashville, TN 37243

RE: *Petition of Tennessee American Water Company to
Change and Increase Certain Rates and Charges so as
to Permit it to Earn a Fair and Adequate Rate of
Return on its Property used and Useful in Furnishing
Water Service to its Customers, Docket No. 03-00118.*

Dear Chairman Kyle:

Enclosed for filing is the original and 13 copies of the City of Chattanooga's Direct Testimony of the following:

1. Jon Kinsey, former Mayor of the City of Chattanooga;
2. Daisy Madison, Treasurer for the City of Chattanooga;
3. Chief Jim Coppinger, Fire Chief, Chattanooga Fire Department; and

Mr. Marlin L. Mosely, Jr., Financial Consultant, Public Financial Management, will be forwarding his Direct Testimony directly to you under separate cover.

Should you have any questions, please contact me.

Sincerely

Michael A. McMahan
Special Counsel

MAM/add

Enclosures

cc: Certificate of Service List

RE: TENNESSEE-AMERICAN WATER COMPANY

CASE NO. 03-00118

CITY OF CHATTANOOGA'S

DIRECT TESTIMONY

DAISY MADISON

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T.R.A. DOCKET ROOM

1 **Q. State your name and address.**

2 A. Daisy W. Madison. My business address is City Hall Annex, E. 11th Street, Chattanooga,
3 TN 37402.
4

5 **Q. What is your occupation?**

6 A. I am the City Treasurer and Deputy Finance Officer for the City of Chattanooga.
7

8 **Q. Do you hold any professional certificates or designations?**

9 A. I am a Certified Public Accountant.
10

11 **Q. Does the Finance Office of the City manage the City's Budget?**

12 A. We prepare a draft budget for consideration by the Mayor and City Council. Once a
13 budget is adopted, then the Finance Office generally monitors the expenditure of funds to
14 assure that the budget is followed by the City's operational departments.
15

16 **Q. Does the City engage in a number of activities that use significant quantities of
17 water purchased by TAWC?**

18 A. Yes, the City operates a number of functions where quantities of water are purchased
19 from TAWC and also from East Side Utility District and Hixson Utility District.
20

21 **Q. What is the nature of some of those activities?**

22 A. The City has offices, sewer treatment facilities, recreation facilities, golf courses, and a
23 number of other operations that use water.

1 The City has over 2,000 employees and a number of them work in our four primary
2 office facilities, City Hall, City Hall Annex, the Development Resource Center and the
3 Police Administration Building in addition to a number of smaller facilities. We also
4 have some smaller offices such as the Paul F. Clark Building used by City Wide Services,
5 the Fire Department Administration Building, and the Mocassin Bend Sewage Treatment
6 Plant Office. These are typical office buildings with rest rooms facilities, drinking
7 fountains, and employee break rooms.

8 The largest user of water in the City is the Sewer Department which operates a sewage
9 treatment plant and a number of pumping stations.

10 The Parks and Recreation Department operates two golf courses and a number of
11 recreational facilities. Some of those recreational facilities have swimming pools.

12 The Department of Public Works uses water for street cleaning and for flushing culverts
13 and sewer lines.

14 The Fire Department utilizes water with fire hydrants and also maintains a number of
15 firehalls that contain sleeping and bathing quarters for firefighters.

16
17 **Q. How much does the City pay to TAWC on an annual basis for water?**

18 A. The amount will vary somewhat from year to year; however, based upon our usage for
19 the current fiscal year which began July 1, 2002, we estimate that our total payment for
20 FY 2002-2003 will be \$790,216.

21
22 **Q. How many accounts does the City have with TAWC?**

23 A. The latest count is 224 commercial accounts, 57 industrial accounts and 3691 fire
24 hydrants.

25
26 **Q. Have you had your staff review the billings from TAWC over the current fiscal year
27 to determine how much the City is presently paying TAWC?**

28 A. Yes, Ms. Vicki Corson, Accountant, and Mr. Arthur Clark, Accounts Payable Supervisor
29 have reviewed our accounts and have provided the information to me. They have
30 categorized the information on a spreadsheet in three categories: commercial, industrial
31 and fire hydrants.

1 **Q. Has your staff also estimated how much of an impact the proposed increase in**
2 **tariffs will have on the City?**

3 A. The spreadsheet shows the impact of the proposed rate increased of 12.2% for
4 commercial, 7.4% for industrial, and 43.9% for fire hydrants. The spreadsheet will be
5 attached as Appendix 1 to my testimony.
6

7 **Q. How much is the city currently paying for commercial accounts?**

8 A. Our best estimate for the current fiscal year is \$340,192.
9

10 **Q. What is the projected impact of a 12.2% commercial increase?**

11 A. The projected increase is \$37,639.
12

13 **Q. How much is the City currently paying for industrial accounts?**

14 A. Our best estimate for the current fiscal year is \$244,267.
15

16 **Q. What will be the impact of a 7.4% increase?**

17 A. The projected increase is \$18,076.
18

19 **Q. What is the City currently paying for fire hydrants?**

20 A. Our best estimate for the current fiscal year is \$237,435.
21

22 **Q. What will be the impact of a 43.9% increase?**

23 A. The projected increase is \$104,234.
24

25 **Q. Does the City also obtain fire hydrants from other providers of water?**

26 A. Yes, Hixson Utility District and Eastside Utility District?
27

28 **Q. Does Eastside Utility District charge the City for fire hydrants?**

29 A. No it does not charge the City.
30

31 **Q. Does Hixson Utility District charge the City for fire hydrants?**

1 A. Yes, we are currently paying Hixson Utility District at the same rate that we are paying
2 TAWC.

3
4 **Q. What is the total estimated cost to the City of the projected increases in the TWAC**
5 **tariff?**

6 A. Our best estimate based upon current fiscal year data is \$159,949.
7

8 **Q. Aside from the charges to the Interceptor Sewer Accounts, what is the source of**
9 **payment of these increases in water cost?**

10 A. The City's general budget which derives its funds from a variety of tax sources, the
11 principal ones being the City's share of the sales tax and real property taxes.
12

13 **Q. What is the source of payments for the Interceptor Sewer Accounts?**

14 A. The Interceptor Sewer system is a self-sufficient rate-based operation. The funds to pay
15 its water bills will be collected from the users of the sewer system.
16

17 **Q. Does this conclude your testimony?**

18 A. Yes.
19

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COUNTY OF HAMILTON

She is appearing as a witness on behalf of the City of Chattanooga before the Tennessee Regulatory Authority, and if present before the Authority and duly sworn, her testimony would set forth in the annexed transcript consisting of 4 pages.


Daisy Madison

This 29 day of May, 2003.

Notary Public

My commission expires 3-Sep-03

Commercial Rates - 12.2% Increase

- * Assume all except for hydrants, fire prevention and ISS are commercial.
- * Leave out July (because of fiscal year cut-offs) and May (since it is a partial month at this point) to estimate for the year.

	Chart-wide	Less: ISS	Commercial
Jul	32,541	16,645	15,896
Aug	54,765	19,483	35,282
Sep	57,379	19,908	37,471
Oct	47,795	20,708	27,087
Nov	57,447	22,558	34,889
Dec	45,409	19,554	25,855
Jan	45,667	18,362	27,305
Feb	39,690	17,489	22,201
Mar	45,225	23,989	21,236
Apr	44,967	21,149	23,818
May	38,869	20,688	18,181
YTD	509,754	220,533	289,221

August-April average

Annual estimate
28,349
340,192

Less sewer

Adjusted annual estimate
308,515
(31,877)

Impact of 12.2% increase \$ 37,639

Source: Chartwide acct # 710703

TOTAL EST. INCREASED COST TO CITY \$ 159,948

TOTAL CURRENT COST	\$ 790,216
TOTAL PROJECTED FOR FY 04	<u>950,165</u>

Industrial Rates - 7.4% Increase

- * Joachim says there are no sewer costs included in these payments.
- * Assume all ISS payments are industrial rate.

Industrial	16,645
Jul	19,483
Aug	19,908
Sep	20,708
Oct	22,558
Nov	19,554
Dec	18,362
Jan	17,489
Feb	23,989
Mar	21,149
Apr	20,688
May	220,533
YTD	

August-April average 20,356

Annual estimate

Impact of 7.4% increase \$ 18,076

Source: Fund 5100 acct # 710703

Impact of 7.4% increase **\$ 18,076**

Fire hydrants - 43.9% Increase

- * These costs are captured separately.

Hydrants	-
Jul	15,278
Aug	15,296
Sep	23,390
Oct	17,931
Nov	18,114
Dec	18,152
Jan	33,548
Feb	18,177
Mar	18,190
Apr	2,798
May	180,874
YTD	

August-April average

Annual estimate

Impact of 43.9% increase \$ 104.234

Source: Orgn D00202 acct # 710404

APPENDIX 1
Daisy Madison
Direct Testimony

RE: TENNESSEE-AMERICAN WATER COMPANY

CASE NO. 03-00118

CITY OF CHATTANOOGA'S

DIRECT TESTIMONY

JON KINSEY

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T.R.A. DOCKET ROOM

1 **Q. Please state your name and address.**

2 A. My name is Jon Kinsey and my business address is Kinsey Probasco and Associates, 100
3 E. 10th Street Chattanooga, TN 37402.
4

5 **Q. What is your occupation?**

6 A. Kinsey Probasco and Associates are real estate developers. I am also involved but not in
7 day to day management of other business activities including a hotel, a restaurant, and
8 residential and golf course development.
9

10 **Q. Are you the past Mayor of the City of Chattanooga?**

11 A. Yes, I served as Mayor from April 1997 to April 2001
12

13 **Q. Early in your term of office did you have discussions with the management of the**
14 **Tennessee American Company about why they were charging the city so much for a**
15 **fire hydrant tariff?**

16 A. Yes, I was very surprised at the amount of money that the City was paying for fire
17 hydrants.
18

19 **Q. Who did you discuss this issue with?**

20 A. I spoke with Dick Sullivan, who was then the manager of TAWC.
21

22 **Q. What was the substance of TAWC's response to your inquiry?**

23 A. Basically, I was told that TAWC charged the City this much because they could. They
24 did not attempt to justify the fire hydrant tariff to me.

1 **Q. Did this cause you to take a close look at the operations of TAWC?**

2 A. Yes, I became concerned that TAWC's method of operation might not be in the overall
3 best interest of the citizens of Chattanooga. In particular, I was concerned that there
4 could be problems in the area of economic development. I was also concerned about the
5 issue of TAWC becoming a supplier of water for the Atlanta area from its resources in
6 Chattanooga.

7
8 **Q. Did you formulate an opinion as to the desirability of the City of Chattanooga**
9 **owning the assets of TAWC in Chattanooga?**

10 A. Yes, I thought that water was a critical resource for a City. I thought it would be better if
11 the City operated its own water company. Chattanooga already was operating a sewer
12 system, and a water system would be complimentary to that operation. Chattanooga
13 through its Electric Power Board also operates an electrical distribution system. I thought
14 we could do a better job for the citizens of Chattanooga than TAWC was doing.

15
16 **Q. Did you initiate some discussions about buying either buying TAWC or its assets**
17 **within Chattanooga?**

18 A. Yes, but we were told that they were not interested in selling.
19

20 **Q. What did you and the City Council ultimately decide to do with regard to acquiring**
21 **the assets of TAWC?**

22 A. The City Council authorized the filing of an eminent domain suit.
23

24 **Q. Did TAWC resist the eminent domain suit?**

25 A. Yes, they resisted the suit not only in court but also through an extensive advertising and
26 public relations campaign.

27
28 **Q. Do you know how much money TAWC spent fighting the City over the attempted**
29 **take-over by the City?**

30 A. I had heard rumors about the very expensive campaign that TAWC waged against the
31 City. I have recently been shown a copy of TAWC's response to Discovery Request

1 number 29 by the Attorney General where the total cost is represented to be
2 \$5,303,446.22.

3 **Q. Can we attach the response to Request No. 29 as Appendix 1 to your testimony?**

4 A. Yes, please do.

5
6 **Q. How was the eminent domain suit finally resolved?**

7 A. The City agreed to dismiss its eminent domain suit in exchange for a significant reduction
8 in the tariff charged for fire hydrants and the promise by TAWC to assist the City is
9 improving its ISO rating. The tariff change was subject to approval by the Tennessee
10 Regulatory Authority.

11
12 **Q. Was the fire hydrant tariff reduction approved by the Tennessee Regulatory**
13 **Authority?**

14 A. Yes, it was.

15
16 **Q. I will show you some documents, which if identified will become Appendix 2 to your**
17 **testimony. Do these documents reflect the Settlement Agreement?**

18 A. Yes, they do.

19
20 **Q. Did you have an understanding based upon the Settlement Agreement and what**
21 **transpired before the Tennessee Regulatory Authority as to how the cost of lowering**
22 **the tariff on the water hydrants would be handled?**

23 A. Yes, we clearly had conversations leading up to the Settlement Agreement that these
24 were costs that would not be made up by ratepayers, the decrease in the fees. And at the
25 TRA hearing that question was posed directly to Mr. L'Ecuyer and his legal counsel that
26 if they understood that this reduction in income would always be borne by the
27 stockholders, never by the ratepayers. The Chairman was very emphatic about that and
28 commented that TRA would not look kindly on their returning to try to recover those
29 monies.

1 Q. As part of the settlement process, did you have any discussion either directly with
2 the water company or indirectly through the city's attorneys as to what would
3 happen with the fire hydrant tariff in the future?

4 A. I do not recall that ever coming up. I assumed that the fire hydrant tariff would be
5 subject to periodic inflationary increases, but I was very surprised to see that TWAC had
6 asked for a 43.9% increase. In my opinion, this is contrary to the spirit if not the letter of
7 our settlement.
8

9 Q. Does this conclude your testimony?

10 A. Yes.

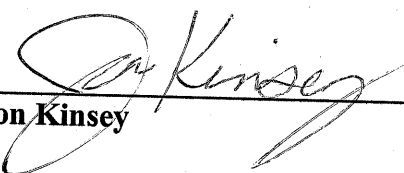
TENNESSEE REGULATORY AUTHORITY

STATE OF TENNESSEE

COUNTY OF HAMILTON

BEFORE ME, the undersigned authority, duly commissioned and qualified in and for the State and County aforesaid, personally came and appeared Jon Kinsey who, being by me first duly sworn deposed and said that:

He is appearing as a witness on behalf of the City of Chattanooga before the Tennessee Regulatory Authority, and if present before the Authority and duly sworn, his testimony would set forth in the annexed transcript consisting of 4 pages.



Jon Kinsey

Sworn to and subscribed before me

This 29 day of May, 2003.



Notary Public

My commission expires 3-Sep-03

**Interrogatories and Requests for Production
Of Documents by the
Attorney General (First Set)
To Tennessee-American Water Company
Rate Case No. 03-00118**

29. Q. DETAIL THE ACCOUNTING TREATMENT FOR THE COSTS INCURRED BY TENNESSEE-AMERICAN RELATED TO DEFENDING ITS EMINENT DOMAIN CASE WITH THE CITY OF CHATTANOOGA. PROVIDE THE DETAIL OF EXPENSES INCURRED RELATING TO THIS ISSUE, INCLUDING EXPENSE BY ACCOUNT ALONG WITH A NARRATIVE EXPLAINING ITS PURPOSE. IF POSTED TO A DEFERRED ACCOUNT, EXPLAIN IN DETAIL THE ACCOUNTING TREATMENT.
- A. The Company charged to expense (account number 575602) all of the costs associated with the eminent domain takeover attempt by the City of Chattanooga. The Company did not defer any of the expense. All of the expenses were charged to income outside the test year. The Company is not seeking any rate recovery for this expense. The Company is providing a summary of this activity on the schedule attached to this response.

AG1-#29

Tennessee-American Water Company
Summary of Cost Charged to Expense for Eminent Domain Defense

	1998	1999												Total
	<u>December</u>	<u>January</u>	<u>February</u>	<u>March</u>	<u>April</u>	<u>May</u>	<u>June</u>	<u>July</u>	<u>August</u>	<u>September</u>	<u>October</u>	<u>November</u>	<u>December</u>	
Legal Fees	46,425.95	270.00	5,500.00	53,527.55	136,110.15	241,264.97	219,571.23	11,344.34	673,252.75	153,038.23	26,269.98	(38,109.60)	174,191.81	1,702,657.36
Advertising&Public Relations	30,543.75	61,907.84	61,776.69	66,103.43	472,765.26	204,094.81	1,260,294.12	76,240.63	66,366.69	98,197.56	555,089.43	127,987.02	103,527.72	3,184,894.95
Service Co. & Company Labor	0.00	0.00	0.00	0.00	7,054.86	0.00	164,971.03	68,147.72	35,110.49	21,785.93	20,682.42	2,274.30	8,922.24	328,948.99
Miscellaneous	3,181.11	2,762.73	3,167.20	4,014.12	4,712.84	4,612.60	7,627.74	8,619.22	8,920.47	8,796.89	5,994.99	7,842.75	1,417.26	71,669.92
Accounting	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	15,275.00	0.00	15,275.00
Totals	80,150.81	64,940.57	70,443.89	123,645.10	620,643.11	449,972.38	1,652,464.12	164,351.91	783,650.40	281,818.61	608,036.82	115,269.47	288,059.03	5,303,446.22

**SETTLEMENT AGREEMENT BETWEEN
CITY OF CHATTANOOGA AND
TENNESSEE-AMERICAN WATER COMPANY**

1. This agreement between the parties is conditioned upon the following:
 - A) Dismissal with prejudice on or before Friday, October 29, 1999 of the lawsuit styled City of Chattanooga v. Tennessee-American Water Company et al, Case No. 99-C-1081;
 - B) Passage of a resolution on or before Friday, October 29, 1999 to rescind Resolution No. 21983 and Ordinance No. 10813.
2. Upon satisfaction of the above conditions, Tennessee-American Water Company ("TAWC") and the City agree as follows:
 - A. The City and TAWC will each pay their own legal fees and other costs related to all litigation.
 - B. TAWC and the City will file a joint petition with the Tennessee Regulatory Authority ("TRA") seeking permission to reduce over a two-year period the current charge of \$301.00 a year per fire hydrant to \$50 a year per fire hydrant at the end of that period. If the TRA does not approve this provision, then this section is null and void.
 - C. TAWC and the City will meet regularly to coordinate all planned street openings.
 - D. The City may become an economic development partner with the TAWC. As partners, each shall help the other to obtain appropriate available financing to expand or extend the system to provide necessary water service.
 - E. With respect to Case No. 52118, the City may only appeal the portion of the Court's decision which holds that TAWC has a state-granted, perpetual franchise. The City agrees that it will not seek payment of any damages in this matter regardless of any decision or appeal. TAWC reserves the right to appeal any ruling adverse to it upon appeal by the City. If after all appeals are exhausted, it is determined TAWC does not have a state-granted, perpetual franchise, the City will immediately issue a franchise to TAWC as outlined in attachment "A." If, on the other hand, the City loses its appeal of the decision rendered in Case No. 52118, then this section as it relates to a City-granted franchise is null and void.
 - F. TAWC will cooperate with the City in striving to improve the fire rating (ISO) to Class 2.

G. TAWC will not pursue the sale of water to Atlanta if such sale is contrary to the public will of the community. Should an agreement to sell water to Atlanta be consummated, the City may participate by making investments and realize benefits, if any, in proportion to its investment.

H. TAWC will continue to hold at least one (1) Board of Directors meeting in Chattanooga each year.

3. If any provision or term of this agreement is found to be invalid by a court of law and/or is not approved by the TRA, the remainder of the agreement shall remain in full force and effect.

TENNESSEE AMERICAN WATER COMPANY

Date: 10/25/99

By William F. L. Suggs

CITY OF CHATTANOOGA

Date: 10/25/99

By Jon Kinsey

Mayor Jon Kinsey

By John Lively

Chairman John Lively

IN RE: TENNESSEE-AMERICAN WATER COMPANY

CASE NO. PUE 03-0018

CITY OF CHATTANOOGA'S

DIRECT TESTIMONY

JIM MAC COPPINGER

RECEIVED

2003 MAY 30 PM 3:31

T.R.A. DOCKET ROOM

-
- 1 **Q. Please state your name and address.**
- 2 **A. Jim Mac Coppinger, 212 Masters Road Hixson, Tennessee 37343**
- 3
- 4 **Q. Are you the Fire Chief for the City of Chattanooga?**
- 5 **A. Yes**
- 6
- 7 **Q. How long have you held that position?**
- 8 **A. It will be six years on June 10th of this year.**
- 9
- 10 **Q. How long have you been employed in firefighting for the City?**
- 11 **A. A little more than 25 years. I began my career as a firefighter on October 28, 1977**
- 12
- 13 **Q. What are the primary job functions of the Fire Chief?**
- 14 **A. To direct the activities and operations of the fire department which include but are**
- 15 **not limited to fire suppression, hazardous materials, medical first responder, vehicle**
- 16 **extrication, fire prevention, training and resource management.**
- 17
- 18 **Q. Do you attend continuing educational seminars and Fire Chief Association meetings**
- 19 **on a regular basis?**
- 20 **A. Yes**
- 21
- 22 **Q. Are you generally familiar with the profession of fire fighting in the United States?**
- 23 **A. Yes**

1 **Q. Prior to being appointed as Fire Chief, did you serve the department in the position**
2 **of Fire Marshall?**

3 **A. Yes**
4

5 **Q. What are the primary job functions of the Fire Marshall?**

6 **A. To oversee operations and activities involving the fire investigation division, records**
7 **division, communication division and water supply.**
8

9 **Q. As Fire Marshall did you become familiar with the various laws and building code**
10 **provisions that pertain to fire safety?**

11 **A. Yes, and I was also required to obtain and maintain a State fire inspector's**
12 **certification, that I still possess at this time.**
13

14 **Q. Do some of those laws and standards relate to the fire protection that is provided by**
15 **either public fire hydrants or private fire protection?**

16 **A. Yes**
17

18 **Q. As Fire Marshall were you required to inspect buildings that are open to the public?**

19 **A. Yes**
20

21 **Q. In the course of your duties as Fire Marshall and your other duties over the years,**
22 **have you become familiar with the private fire protection devices generally in use in**
23 **the Chattanooga area?**

24 **A. Yes**
25

26 **Q. Within the context of fire fighting or protection, what are the functions of private**
27 **fire protection devices.**

28 **A. Sprinkler systems/Standpipe systems are designed to either contain or extinguish**
29 **fires depending on the system's design. Also, private fire hydrants are installed on**
30 **private property for fire protection purposes.**

1 Q. Are you aware that the tariff requested by TAWC involves charges for both public
2 fire protection, i.e. fire hydrants and private fire protection devices.

3 A. Yes, there would be a significant tariff increase paid by the City of Chattanooga.
4 There is no tariff increase for private fire protection, but there is a cost increase to
5 the private sector for "private service tap fees".
6

7 Q. Do private fire protection devices require a source of water similar to that required
8 for public fire protection with respect to the size of lines and water flow?

9 A. Yes
10

11 Q. Prior to being appointed as Fire Chief, have you served as "water officer" for the
12 department?

13 A. Yes
14

15 Q. What are the primary job function of the "water officer"?

16 A. To serve as a liaison with water utilities, architects, developers, builders, or other
17 parties operating within departmental jurisdiction and having an impact upon
18 water distribution systems, automatic/manual fire suppression systems, or other
19 areas affecting water supply/usage as applicable to the fire service.
20

21 Q. Who serves in the capacity of "water officer" at present?

22 A. Staff Officer Randall Herron
23

24 Q. Has Mr. Heron assisted you with the preparation of data for your testimony today
25 based upon reports that are maintained within your department?

26 A. Yes
27

28 Q. What records are kept by the Fire Department with regard to the amount of water
29 that it obtains for use from fire hydrants?

30 A. FMIS (fire management information system) reporting system & hydrant testing
31 data

1 Q. Does the City provide a monthly report to TAWC as to the estimated amount of
2 water used?

3 A. Yes, when requested
4

5 Q. Are you familiar with the general range that is estimated in those monthly reports?

6 A. Yes
7

8 Q. What is a typical amount of water usage that is reported to TAWC?

9 A. 25,000 to 30,000 gallons per month
10

11 Q. You report in gallons rather than cubic feet?

12 A. That's correct
13

14 Q. How many gallons equal 100 cubic feet?

15 A. 750 gallons = 100 cubic feet, according to TAWC web page
16

17 Q. Taking the high end of the estimate, 30,000 gallons, monthly, what would be the
18 monthly value of the water used based upon a tariff of \$.555 per 100 cubic feet.

19 A. $(30,000/7.5) \times \$0.555 = \$2,220.00$
20

21 Q. What is a typical monthly bill for fire hydrant usage?

22 A. We pay on a quarterly basis. However, if it were calculated on a monthly basis, we
23 would pay TAWC approximately \$19,786.25 per month.
24

25 Q. Are there occasions of major fires where the normal monthly estimate of 25,000 to
26 30,000 gallons would become inaccurate?

27 A. Yes
28
29
30

1 Q. Have you reviewed your worst fire in 2002 to provide an estimate of the amount of
2 water used on that fire?

3 A. Yes, Patrick's Restaurant/Lounge Fire.
4

5 Q. Describe the general procedure used to derive that estimate.

6 A. Based on gallon per minute flow of the specific nozzles and the amount of pump
7 time by the supplying fire trucks.
8

9 Q. What is a reasonably accurate estimate of the amount of water used on the Patrick's
10 Restaurant/Lounge fire?

11 A. 180,000 gallons
12

13 Q. Do you have an opinion based upon your overall knowledge of firefighting and the
14 data which is maintained by the department as to a reasonably accurate total of the
15 annual amount of water used in firefighting?

16 A. Normal monthly use about $27,500 \times 12 = 330,000$ gallons, plus about 300,000 gallons
17 for major fires for a total of 630,000 gallons or 84,000 cubic feet
18

19 Q. Again using the \$.555 per 100 cubic feet rate, what is the estimated annual cost of
20 water used?

21 A. $84,000 \times .555 = \$46,620$
22

23 Q. What is the annual cost to the City under the current tariff for public fire hydrants?

24 A. \$50 per hydrant per year – April 2003 total TAWC public hydrants = 3691
25 $3691 \times 50 = \$184,550$
26

27 Q. What would be the annual cost to the City under the proposed tariff increasing the
28 tariff for fire hydrants from \$184,550.00 to \$265,567.45 if the increased tariff is
29 approved?

30 A. There would be a 43.9% increase, which would total \$81,017.45.
31

1 Q. Does the City do inspections on fire hydrants to determine if they function
2 properly?

3 A. Yes
4

5 Q. How often?

6 A. Twice a year
7

8 Q. To your knowledge does TAWC do any independent inspection of fire hydrants?

9 A. Yes, but only upon request
10

11 Q. What are some of the typical issues with regard to fire hydrants that cannot pass
12 inspection?

13 A. (a) Out of service due to mechanical damage

14 (b) Out of service due to maintenance needs (stuck/broken operating stem or
15 missing caps)

16 (c) Maintenance needs for proper working order

17 (d) Paint for visibility

18 (e) Unacceptable ground clearance
19

20 Q. Does TAWC have any obligations with regard to repair of hydrants?

21 A. The tariff agreement states:

22 "The District (TAWC) shall promptly upon receipt of a
23 Deficiency Report make such repairs or replacements as may
24 be reasonably necessary to correct the deficiencies specified in
25 the Deficiency Report".
26

27 Q. Based upon the fire department's reports to TAWC, can you provide a reasonable
28 estimate of the number of hydrant repairs that are required on an annual basis?

29 A. Approximately 85 reported out of service (05/2002 – 05/2003) and approximately
30 200 maintenance requests during the same period.
31

1 **Q. How many fire hydrants are currently on the TAWC tariff?**

2 **A. 3,691**

4 **Q. Are new hydrants added from time to time?**

5 **A. Yes, as a tariff agreement request or by new construction requirements**

7 **Q. In general, under what circumstances are new hydrants added?**

8 **A. To increase the fire department's water supply for existing residential and**
9 **commercial development or by new construction requirements by the**
10 **owner/developer.**

12 **Q. Who pays for hydrants that are installed in new residential or commercial**
13 **development?**

14 **A. The owner/developer**

16 **Q. Who pays the tariff after the hydrant is installed?**

17 **A. The City of Chattanooga**

20 **Q. Does the City also obtain fire hydrants from other providers of water?**

21 **A. Yes, Hixson Utility and Eastside Utility**

23 **Q. Does Eastside Utility District charge the City for fire hydrants?**

24 **A. No, Eastside provides hydrants at no cost to the city.**

26 **Q. How are the expenses for hydrants covered by Eastside?**

27 **A. Eastside Utility District's operating budget**

1 **Q.** **To your knowledge is this a common practice in many parts of the U.S.?**
2 **A.** **Yes, in many areas, of the country the cost for public fire protection is assimilated in**
3 **the rate structure without any cost to the government.**
4
5 **Q.** **Does Hixson Utility District charge the City for fire hydrants?**
6 **A.** **Yes**
7
8 **Q.** **If so, how much?**
9 **A.** **Fifty dollars a year per hydrant**
10
11 **Q.** **Do Eastside and Hixson Utility District provide essentially the same services in**
12 **regard to hydrants as TAWC?**
13 **A.** **Yes**
14
15 **Q.** **Does the City have a right to request new fire hydrants to be installed by TAWC?**
16 **A.** **Yes, under the stipulations of the tariff agreement**
17
18 **Q.** **What is our allotment?**
19 **A.** **Forty fire hydrants and 2,000 feet of 6"inch or larger main**
20
21 **Q.** **Does the City generally request 40 new hydrants per year?**
22 **A.** **No, in the past few years, it has been a handful, probably ten or less**
23
24 **Q.** **What happens if the City request a relocation of a hydrant for purposes of street**
25 **relocation?**
26 **A.** **That relocated hydrant is deducted from our allotment of 40 new hydrants.**
27
28 **Q.** **Are there areas of the City that do not have adequate water mains to support fire**
29 **hydrants?**
30 **A.** **Yes**
31

1 Q. Can you give us the most significant example?

2 A. Yes, Tiftonia

3
4 Q. What additional burden is placed upon the fire department when no fire mains are
5 available?

6 A. We must maintain water tanker trucks as part of our operations in order to have
7 adequate water supply
8

9 Q. Have you approached the management of TAWC to ask them to install fire
10 hydrants in these locales?

11 A. Yes
12

13 Q. What has TAWC told you with regard to why there have been unable or unwilling
14 to install fire hydrants in these locales?

15 A. That it is not cost effective because there are not enough consumers in these areas to
16 pay for the cost of construction
17

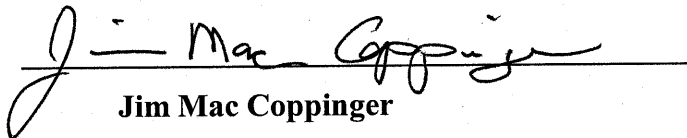
TENNESSEE REGULATORY AUTHORITY

STATE OF TENNESSEE

COUNTY OF HAMILTON

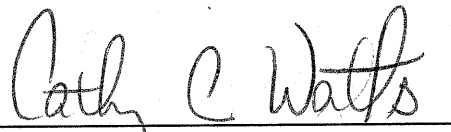
BEFORE ME, the undersigned authority, duly commissioned and qualified in and for the State and County aforesaid, personally came and appeared Jim Mac Coppinger who, being by me first duly sworn deposed and said that:

He is appearing as a witness on behalf of the City of Chattanooga before the Tennessee Regulatory Authority, and if present before the Authority and duly sworn, his testimony would set forth in the annexed transcript consisting of 9 pages.


Jim Mac Coppinger

Sworn to and subscribed before me

This 29th day of May, 2003.



Notary Public

My commission expires 5-23-05.